

# Overview of the HSCRC Averted Bad Debt Policy

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# Outline of Presentation

- ▶ Background and History
- ▶ Summary of Calculation of Expected Averted Bad Debt in Current Year
- ▶ Summary of Reconciliation of Actual Averted Bad Debt in Future Year
- ▶ Issues

# Medicaid Expansion

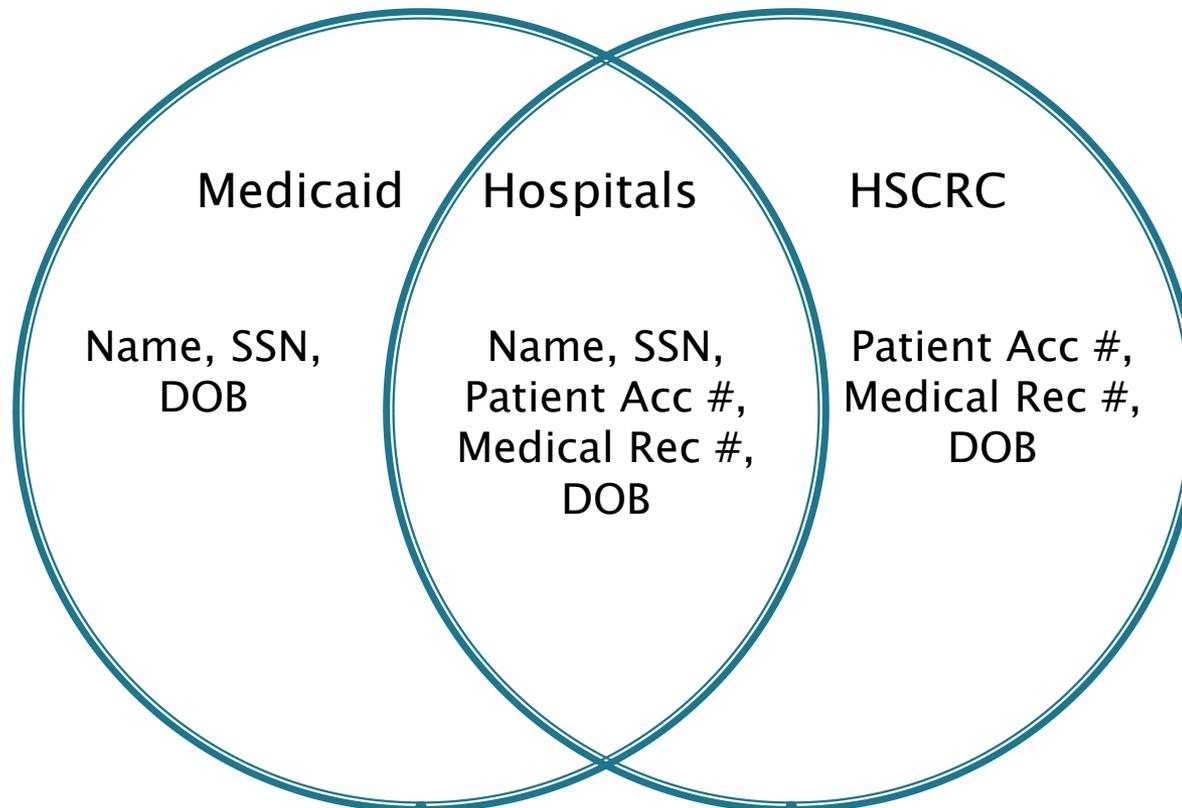
- ▶ 2007 legislation expands access to health care coverage under:
  - Medicaid to parents and caretakers from 46% of FPG to 116%
  - Primary Care Adult Care program (as funds are available) to childless adults up to 116%
  - Established a small business subsidy program administered by MHCC
- ▶ Expected to reduce the number of uninsured from 800,000 to 700,000
- ▶ 2008 legislation requires HSCRC to implement a uniform assessment to reflect the reduction in hospital uncompensated care from the Medicaid expansion

# The Assessment

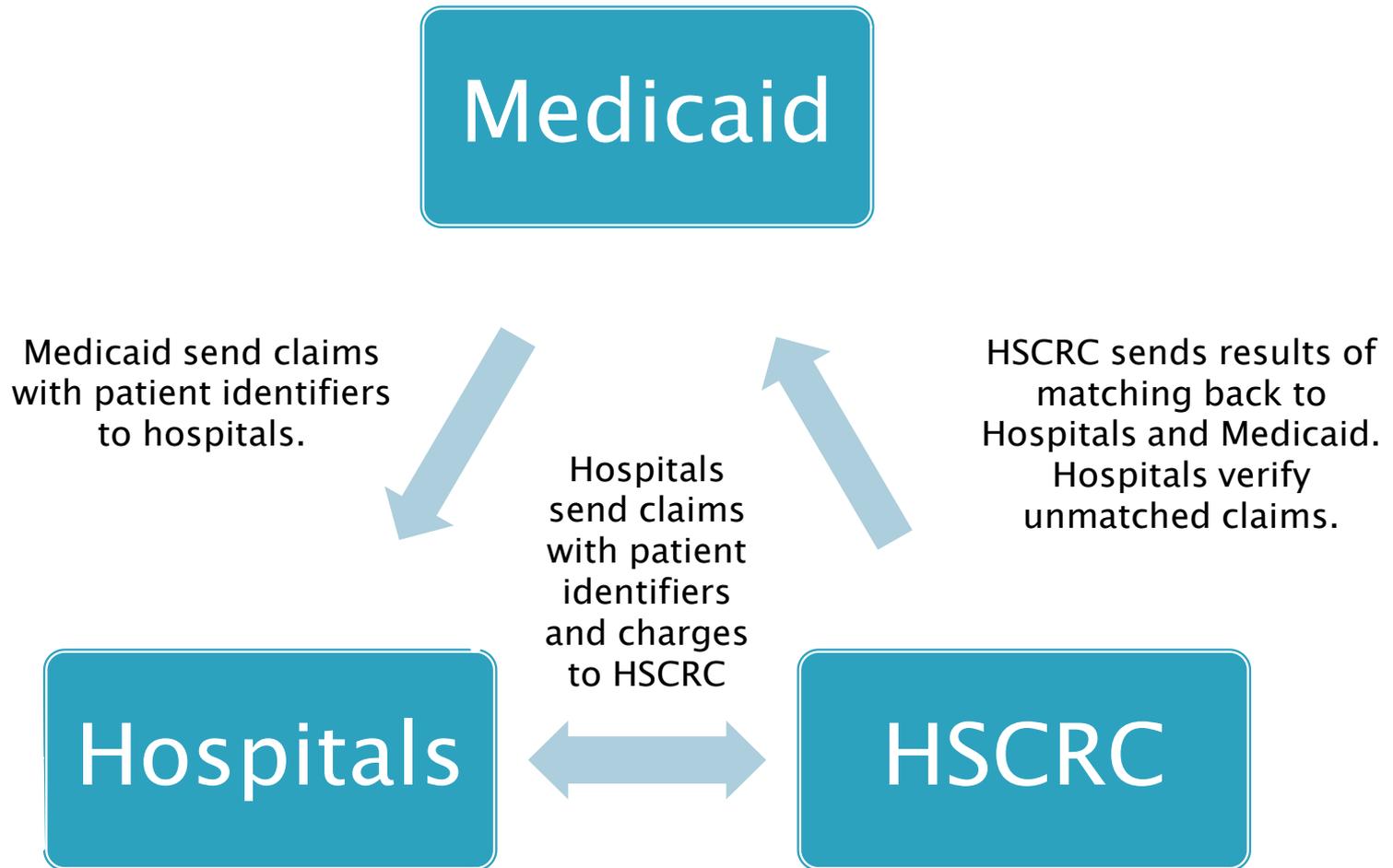
- ▶ The Medicaid and PAC expansion reduce hospital uncompensated care
- ▶ Medicaid/HSCRC calculate the expected total amount of averted bad debt in next FY using expected enrollees and PMPM costs, adjusted for:
  - Out of state admissions
  - Hospital portion
  - Crowd out
  - Lower use rates for uninsured
- ▶ This amount comes out of UC then is added back as a uniform assessment, less the amount to be saved by payers
- ▶ Medicaid (MCOs, FFS) then pays hospitals for the services rendered to Medicaid enrollees

# Reconciliation Process

Reconciliation involves 3 different databases in order to calculate charges for the Expansion population



# Reconciliation Process



# Reconciliation

- ▶ 2 Fiscal Years later (when data is available on actual Medicaid payments to hospitals), HSCRC calculates actual payment to hospitals
- ▶ HSCRC calculates any difference between amount initially taken out of rates and the amount paid by Medicaid for services:
  - in aggregate, and
  - on a hospital by hospital basis.

# Medicaid Expansion - Fiscal Year 2010

## Calculations and Adjustments Made at July 1, 2009

### Calculation of Estimated Reduction to Hospital Uncompensated Care

DHMH Estimated Total Expansion Expenditures			
Amount per Enrollee per Month	\$535.35		
Estimated Number of Enrollees	50,500		\$324,422,100
Less: Payments Made Outside of Maryland	-6%		-\$19,465,326
Payments Made Inside of Maryland			\$304,956,774
Percent Paid to Maryland Hospitals	54%		\$164,676,658
Hospital Gross Charges (Medicaid Pays 94% of Charges)	94%		\$175,187,934
Less: Crowd Out and Lower Use Rate	-28%	-18%	-\$71,756,978
Estimated Reduction to Hospital Rates for Uncompensated Care			<u>\$103,430,956</u>

**NOTE:** A portion of this amount was allocated to each hospital based on the percentage of current FY09 Medicaid payments made to the hospital for the Medicaid expansion population. The allocated amount for each hospital was used to calculate a percent of revenue which was then used to reduce each hospital's approved uncompensated care (UCC). The reduced UCC was used in each hospital's calculation of approved markup and approved revenue was reduced accordingly.

### Calculation of Payment Made to DHMH

Estimated Reduction to Hospital Rates for Uncompensated Care		\$103,430,956
Savings Provided to Payer	-7.39%	\$95,786,995
Amount Paid to Medicaid	94%	<u>\$90,039,775</u>

**NOTE:** A portion of this amount was uniformly allocated to each hospital based on its estimated Approved Revenue for FY 2010. Each hospital made monthly payments to DHMH throughout the year.

# Medicaid Expansion - Fiscal Year 2010

## Reconciliation of Actual Averted Bad Debt

### Calculations and Adjustments Made at June 30, 2011

#### Calculation of Adjustments Due to Hospitals

Actual Reduction to Hospital Rates for Uncompensated Care			\$104,745,796
Total Hospital Charges to Medicaid Due to Expansion*			\$113,195,889
Less: Crowd Out and Lower Use Rate	-28%	-18%	-\$46,365,036
Actual Reduction to Uncompensated Care Due to Expansion			\$66,830,853
Adjustment Due to Hospital Rates			-\$37,914,943

**Note:** The "Total Charges to Medicaid" is preliminary. This number does not include the remaining run-out claims and does not take into account the number of claims that could not be matched to visits at the hospital. This preliminary amount would be added to hospital rates for one year only (FY 2012). At the end of the year the amount would be removed from rates.

#### Calculation of Overpayment/Underpayment to DHMH

Actual Reduction to Uncompensated Care Due to Expansion			\$66,830,853
Less: Savings Provided to Payers	-7.39%		\$61,891,786
Amount Paid by Medicaid to Hospitals	94%		\$58,178,278
Amount Paid to Medicaid by Hospitals			\$90,039,775
Difference			-\$31,861,497
Amount Net of Savings Provided to Payers	94%		\$62,821,002
Difference Without Providing Any Savings to Payers			-\$27,218,773

# FY2010 Reconciliation Results (Preliminary)

	N	%
Claims submitted from hospitals	119,958	100%
Claims reported with FY09 data but dos was in FY10	2,020	1.68%
Claims not found by hospitals	1,359	1.13%
Claims reported with FY10 data but dos was in FY11	482	0.40%
PAC claims (not included in FY10 Reconciliation)	34	0.03%
Unregulated claims (as reported by hospital)	1,748	1.46%
Duplicate claims	1,167	0.97%
Claims for pregnancy-related services	7,196	6.00%
Claims used in calculation of Averted Bad Debt	109,981	91.68%
Total claims matched + unmatched w/charges*	104,131	94.68%
Total unmatched claims w/o charges*	5,850	5.62%

\* Charges provided by the hospital were used if the claim didn't match HSCRC data

# Estimate vs Actual Averted Bad Debt

Estimated for Fiscal Years 2009-2011

	A	B	C	D
	Original Estimate FY 2009	Revised Estimate FY 2009	Estimate FY 2010	Estimate FY 2011
Estimated Enrollees		29,273	55,000	69,773
Cost per Enrollee per member month		\$511	\$539	\$546
Medicaid Total Expenditures	\$95,170,624	\$160,119,126	\$324,422,100	\$457,646,689
In State Payment Percent	94.00%	94.00%	94.00%	94.00%
In State Payments	\$89,460,386	\$150,511,978	\$304,956,774	\$430,187,888
Medicaid Payment Percent	94.00%	94.00%	94.00%	94.00%
Charges @ Hosp Payment Rate	\$95,170,624	\$160,119,126	\$324,422,100	\$457,646,689
Hospital Portion	61.00%	61.00%	54.00%	47.61%
Hospital Charges Reported	\$58,054,080	\$97,672,667	\$175,187,934	\$217,879,100
Crowd Out (28%)	72.00%	72.00%	72.00%	72.00%
Hospital Charges after Crowd	\$41,798,938	\$70,324,320	\$126,135,312	\$156,872,952
Lower Use Rate	82.00%	82.00%	82.00%	82.00%
<b>Averted Bad Debt</b>	<b>\$34,275,129</b>	<b>\$57,665,943</b>	<b>\$103,430,956</b>	<b>\$128,635,821</b>
Medicaid Expenditures for PAC	\$0.00	\$0.00	\$0.00	\$26,787,574
Hospital Charges after PAC				\$155,423,395
Medicaid Payment Percent	94.00%	94.00%	94.00%	94.00%
Net Medicaid Payments	\$32,218,621	\$54,205,986	\$97,225,099	\$146,097,991
Percent Returned to Medicaid	75.00%	75.00%	92.61%	100.00%
Hospital Payments to Medicaid	\$24,163,966	\$40,654,489	\$90,039,771	\$146,097,991
<b>Difference</b>		<b>\$16,490,523</b>		
Settle up Payment			<b>\$16,490,523</b>	
Total Payments to Medicaid			\$106,530,295	

# Issue

- ▶ Consider how to address any underpayments or overpayments to the Medicaid Program